

Part III - Administrative, Procedural, and Miscellaneous

Reporting of Gross Proceeds Payments to Attorneys

Notice 2001-7

This notice informs taxpayers that the Internal Revenue Service intends to further delay the effective date of the regulations proposed under § 6045(f) of the Internal Revenue Code (relating to the reporting of payments of gross proceeds to attorneys). Under this extension, the rules in § 1.6045-5 will apply to payments made during the first calendar year that begins at least two months after the date of publication of the final regulations in the Federal Register.

Section 1021 of the Taxpayer Relief Act of 1997, 1997-4 (Vol. 1) C.B. 1, 136, added § 6045(f) of the Code, which requires information reporting for payments made in the course of a trade or business to attorneys in connection with legal services (whether or not such services are performed for the payor). Section 6045(f) applies to payments made after December 31, 1997. The notice of proposed rulemaking (NPRM) under § 6045(f) was published in the Federal Register on May 21, 1999 (64 Fed. Reg. 27730), 1999-1 C.B. 1193. Section 1.6045-5(h) of the proposed Income Tax Regulations provides that the rules in § 1.6045-5 apply to payments made after December 31, 1999. However, Notice 99-53, 1999-46 I.R.B. 565 (Nov. 15, 1999), extended the effective date of § 1.6045-5 to payments made after December 31, 2000.

Because the Service is continuing to study the many comments regarding the NPRM under § 6045(f), the Service intends to further delay the effective date of

§ 1.6045-5. Accordingly, when finalized, the rules in § 1.6045-5 will apply to payments made during the first calendar year that begins at least two months after the date of publication of the final regulations in the Federal Register. Nevertheless, payments of gross proceeds to attorneys made after December 31, 1997, are and continue to be reportable on Form 1099-MISC pursuant to § 6045(f); only the effective date of the regulations that interpret § 6045(f) will be delayed. Taxpayers may continue to rely on the NPRM as a safe harbor providing a reasonable interpretation of the statute.

EFFECT OTHER DOCUMENTS

Notice 99-53 is modified, and as modified, is superseded.

DRAFTING INFORMATION

The principal author of this notice is Sara Paige Shepherd of the Office of the Associate Chief Counsel, Procedure and Administration (Administrative Provisions and Judicial Practice). For further information regarding this notice contact Ms. Shepherd on (202) 622-4910 (not a toll-free number).